

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 ABF-01 FS-01 OPR-02 /088 W  
-----101540 231147Z/17

P R 231111Z MAR 78  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC PRIORITY 1481  
INFO AMEMBASSY NEW DELHI PRIORITY  
AMEMBASSY COLOMBO  
AMEMBASSY DACCA  
AMEMBASSY ISLAMABAD

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E.O. 11652: N/A  
TAGS: EFIN, NP, IN, US  
SUBJECT: GON DECLARES NEW EXCHANGE RATES FOR DOLLAR AND INDIAN RUPEE

1. GON MINISTRY OF FINANCE MARCH 22 ISSUED COMMUNIQUE SETTING NEW VALUES EFFECTIVE IMMEDIATELY K4 NEPALESE RUPEES RELATIVE TO US DOLLAR AND INDIAN RUPEE. SPECIFICALLY ONE US DOLLAR NOW HAS EXCHANGE RATE OF NRS 12.00 (VICE 12.55) AND RATE FOR ONE INDIAN RUPEE OW NRS 1.45 (VICE 1.39). (NOTE: RASTRA BANK BUYING AND SELLING RATES --KATHMANDU 1494-- REFLECT SPREAD AROUND FIXED RATE). COMMUNIQUE CITED AS REASON FOR THIS ACTION "TO ELIMINATE EXISTING BROKEN CROSS RATES BETWEEN DIFFERENT CURRENCIES" AND ALSO "TAKING INTO CONSIDERATION THE COUNTRY'S FOREIGN EXCHANGE RESERVES, FOREIGN TRADE STRUCTURE, PRICE SITUATION AND OVERALL BALANCE OF PAYMENTS SITUATION." COMMUNIQUE WENT ON TO EXPLAIN THAT, WITH FALL OF US DOLLAR (WHICH REFLECTED IN DAILY CHANGES IN INDIAN EXCHANGE RATE), NEPALESE RATE FIXED AT 12.55 RESULTED IN 8.8 PERCENT

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DIFFERENCE WHEN DOLLAR CONVERTED INTO RESPECTIVE RUPEE CURRENCIES. IT WAS NECESSARY TO ELIMINATE THIS "BROKEN CROSS RATE", AND THIS WAS ACHIEVED THROUGH 4.3 PERCENT REVALUATION AGAINST DOLLAR AND LIKE DEVARAATION AGAINST INDIAN RUPEE. RE RATES FOR OTHER CURRENCIES, COMMUNIQUE STATES THAT, AS BEFORE, THEY WOULD BE DETERMINED DAILY WITH REFERENCE TO US DOLLAR RATE IN INTERNATIONAL

MONEY MARKET.

2. COMMENT: WE WILL SEEK TO EXPLORE REASONING BEHIND THIS ACTION AND TIMING THEREOF WITH BANKING SOURCES IN COMING DAYS. IN MEANTIME IT OUR PRELIMINARY ASSESSMENT THAT PRIME GON MOTIVE WAS TO SEEK STABILIZE RELATIONSHIP BETWEEN ITS CURRENCY AND TWO OUTSIDE CURRENCIES WHICH DOMINATE THIS ECONOMY. WHILE NEPAL WAS UNLIKELY TO BE DIRECT LOSER IN SPECULATION PROCESS, STABILITY ITSELF PROBABLY SEEN AS IMPORTANT GOAL. MOREOVER, GOI UNDOUBTEDLY WILL WELCOME MOVE TO NARROW SPREAD BETWEEN TWO CURRENCIES WHICH WAS WORKING TO INDIA'S DISADVANTAGE. AS FOR DECISION TO SPLIT DIFFERENCE BETWEEN DOLLAR AND INDIAN RUPEE INSTEAD OF ONLY REVALUING AGAINST DOLLAR, WE ASSUME AT LEAST ONE MOTIVE WAS TO IMPROVE NEPAL'S COMPETITIVE TRADE POSITION WITH INDIA, ITS DOMINANT TRADE PARTNER. AT SAME FZIME DESIRE NOT TO HURT TOURIST TRADE PROBABLY ARGUED IN FAVOR OF SOFTENING IMPACT ON DOLLAR.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DOLLAR, RUPEE, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 mar 1978  
**Decapton Date:** 01 jan 1960  
**Decapton Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978KATHMA01505  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780128-0148  
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**Message ID:** 91371fbf-c288-dd11-92da-001cc4696bcc  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Status:** NATIVE  
**Subject:** GON DECLARES NEW EXCHANGE RATES FOR DOLLAR AND INDIAN RUPEE  
**TAGS:** EFIN, NP, IN, US  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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